

---

**MODULE 8, CREDIT AND DEBT**, provides activities to help families discuss credit and set guiding principles to better manage their debt. There are five activities in this chapter:

- **Articulating Family Principles about Credit** helps couples develop their own guiding principles for the use of credit in their families.
- **Opinions about Credit and Debt** allows families to share their opinions and understanding about how to use credit.
- **Love and Marriage: Debt and Credit** educates couples about how each other's credit affects the couple and family as a whole and how to repair the couple's credit over the long term.
- **Joint Credit** defines various forms of account ownership for credit cards and the risks and responsibilities associated with each. Participants will then assess these forms of ownership for their own families.
- **Family Credit Decisions: Role Playing** provides two “real-life” role plays to encourage discussion on making decisions about using credit as a family.

# 46.

## Articulating Family Principles about Credit

**OBJECTIVE:** Participants will develop their own guiding principles for the use of credit in their families.

**TIME:** 60 minutes, providing about 10 minutes to introduce the activity, 30 minutes for the participants to carry out the activity, and 20 minutes for reporting out and discussion.

**NOTE TO TRAINER:**

This activity is specifically for families or couples. If you don't have families or couples in your training and workshop, this activity might be nice for participants to do at home with their families. You can then set up time in a subsequent class for IDA participants to report back their family principles.

**MATERIALS:**

Handouts

Pen and paper for family scribe

Flipcharts and markers for displaying credit principles in larger format for presentation back to group

**TALKING POINTS:**

Most people in the US are bombarded with credit offers. We receive mailings for credit cards, see "EZ Credit" commercials and advertisements on billboards and TV, and receive appealing offers for store credit while we are shopping. Each adult member of the family is asked to make credit decisions on a daily basis. And more and more, children are also being targeted for credit cards.

Developing family principles about credit can be especially helpful. By creating guidelines together about how the family wants to use credit, individual family members will be empowered to make good credit decisions for the entire family, even while being invited to apply for or use more credit. When we state what our principles are on a matter, we are trying to communicate what we most value on that matter. This allows us to lay the groundwork for future decisions and to review how we want to manage this area of our lives.

**ACTIVITY:**

After the initial introduction, break the class into family groups to create their family principles about credit. Hand out the activity sheets provided below. Review the instructions for the activity as written on the handout, and review the sample provided as well. Give participants 30 minutes to review the discussion questions and create their principles. Float around the room and answer questions when asked. Reconvene as a large group after 30 minutes, and have the family scribe report family principles to the larger group.

## HANDOUT: Creating Credit Principles for Our Family

---

### **Directions:**

Your family will work together to create family principles for using credit. For each area of credit, review the discussion questions provided, allow all members of the family to answer each question, and then decide together what statement you want to make that can serve as a guideline for your entire family in making credit decisions for that area.

This may be an involved discussion for your family; there may be several areas where people disagree. So, please allow everyone to share honestly and work towards achieving family consensus.

Here is a sample used by another family, to give you a sense of how these principles might look or sound:

#### **The Smith Family Credit Principles**

- 1) **Credit is a means for acquiring important things in a convenient way; it is not the key to living outside our means. We do not believe in living outside our means.**
- 2) **We will discuss as a family before we apply for credit and credit cards, and we won't apply for more credit than we need.**
- 3) **Paying bills on time is critical for us to maintain good credit.**
- 4) **Having a good credit history is important: Each adult in the Smith family will have one individually-owned credit card.**
- 5) **Passing on to the next generation is important: We will manage our debt so that it does not burden our children.**

**How to Create a Principle:** A principle is generally not too specific (It does not say, for example, that the Smiths will pay their Visa bill by the 10th of each month.) But a principle states values that you hold and how those values will shape the family members' behaviors (e.g., each adult will have a separate credit card to establish credit history BECAUSE a good credit history is important). The most important thing is that you feel these principles reflect who you are and state what you want, in your own words.



## HANDOUT: Family Discussion Questions

---

### Use of Credit

- What are your typical reasons for using a credit card, day to day?
- What types of expenses are okay for using a credit card?
- How many credit cards do you want to have open at any given time?

(include department store cards and gas cards in this as well)

The \_\_\_\_\_ Family Principles on the Use of Credit:

1)

2)

### Payment of Bills

- What is the ideal monthly payment for a credit card bill - minimum balance, more than minimum, paying the balance in full, or less than the minimum?
- What is your typical monthly payment for credit card bills? (compare with the “ideals” above)
- When do you typically pay your credit card bills -- before the due date, on the due date, or after the due date?
- Do you think that paying these bills on time is important? Do you believe that it affects your overall credit record and rating?

The \_\_\_\_\_ Family Principles on the Payment of Bills:

1)

2)



## HANDOUT: Family Discussion Questions

---

### Credit Ownership

- Do you have any concerns about sharing responsibility for each other's debt?
- Does one of you manage debt better than the other?
- Do you see value in maintaining some separate accounts to establish individual credit histories?

The \_\_\_\_\_ Family Principles on Credit Ownership:

1)

2)

### Learning about Credit

- Assess your overall knowledge about credit and how it works (know a lot, know some, know very little, or know nothing).
- How important is continuing to learn about credit management for you?
- What is the practical value of learning about credit, if any?

The \_\_\_\_\_ Family Principles on Learning about Credit:

1)

2)

### Credit and the Next Generation

- What mistakes would you want to make sure your children avoid when using credit?
- What good habits would you like your children to learn about credit?
- What are you doing to show your children good credit behaviors?

The \_\_\_\_\_ Family Principles on Credit and the Next Generation:

1)

2)

Now, please summarize all the credit principles for your family on one page. Post this page somewhere prominently in the house as a reminder, such as on the refrigerator.





## Credit Principles

1.

2.

3.

4.

5.

6.

7.

8.



# 47. Opinions about Credit and Debt

**OBJECTIVE:** Ice breaker to get people talking about credit and debt issues.

**TIME:** 10 minutes

**MATERIALS:**

A copy of the handout for the leader.

Three sheets of flipchart paper: one labeled “Strongly Disagree”, another “Strongly Agree” and another “Undecided”

**NOTE TO TRAINER:**

This activity works very well for large groups, even up to 100 people! Prepare the classroom by marking one side of the room as strongly agree, the other side as strongly disagree, and the center of the room as undecided by taping up the flip chart pages accordingly.

**ACTIVITY:**

Let the class know that you will be calling out common statements about credit and debt. As each statement is called out, ask participants to decide how they feel about the statement: Do they agree, disagree, or don't know? Ask them to show their responses by moving to the corresponding section of the room. Now, ask people in each group to explain why they agree or disagree with the statement. Make sure to ask people in the center too, their responses are usually equally thoughtful. Go through each statement using the same methodology.

When couples and families are in the class, encourage family members to go freely where they want and to respectfully note where their partner or family members go. Suggest that they take time soon at home to share thoughts, memories, and feelings together on these statements.

**GROUP DISCUSSION:**

- Were you surprised by the class opinions?
- Were different family members in different places?



## HANDOUT: Opinions about Credit and Debt

---

Statement	Strongly Agree	Undecided	Strongly Disagree
I always pay my loans fully and on time.			
I understand how to obtain credit and manage my debts.			
I always pay off my credit card every month and don't have a balance.			
Around the holidays or special occasions, I may keep a balance on my credit card.			
I know what interest rate I am paying on all of my loans and credit cards.			
I think about how much money I have when I want to make a purchase.			
I think about how much credit I have available when I decide to make a purchase.			
My monthly loan payments are less than 30% of my monthly net income.			
I share my credit card with at least one family member.			
I know how to calculate my debt to income ratio.			

---

Adapted, with permission, from Homebuyer Education Methods: Training for Trainers created for Neighborhood Reinvestment Corporation by Christi Baker, Chrysalis Consulting. Copyright 2001.

---



# 48. Love and Marriage Debt and Credit

**OBJECTIVE:** Educate couples about how each spouse's credit affects the couple and family as a whole and how to repair the couple's credit over the long term.

**TIME:** 15 minutes

**TALKING POINTS:**

Married couples take on each other's debt and credit ratings, for better or for worse. That is because when you marry, your credit is co-mingled. For better: If a partner who has little or no credit history marries someone with good credit, they will gain access to this good credit. Unfortunately, this can work the other way, too. If you have good credit and marry someone with bad credit, you may have to pay higher interest rates in the future on joint purchases, or you may be denied credit because of the risk your partner poses to the lender.

**ACTIVITY:**

Present the following case of Anita and Jason and discuss as a class. Anita has had a stable job for years and a good income. She has also been careful to keep a clean credit history taking on only a small amount of debt, which she is careful to pay timely and fully each month. Then, Anita fell in love with Jason. They got married and wanted to buy a new home. Unfortunately, Jason's credit was terrible. Anita's income alone could not support the mortgage on the home; when they combined their incomes, though, they also combined their debt. As a result, they were turned down.

**GROUP DISCUSSION:**

- What can be done to build stronger credit over the long term for Anita and Jason?
- How can this conversation take place while they are falling in love?
- What can they do together to improve Jason's (and their combined) credit?
- What sacrifices (i.e. postponed purchases, increasing savings, paying down or consolidating debt, etc...) is Anita willing to make to have a better joint credit situation longer-term? What about Jason?

# 49.

## Joint Credit

**OBJECTIVE:** Participants will identify and define various forms of account ownership for credit cards and the risks and responsibilities associated with each. Participants will then assess these forms of ownership for their own families.

**TIME:** 35 minutes, including 10 minutes of presentation, 15 minutes for small groups to complete case study exercises, and 10 minutes for sharing with the larger group.

**MATERIALS:**

*Joint Credit: What Is It?* Handout

*Joint Credit: What are its Risks and Responsibilities?* Handout

Joint Credit Activity Worksheet

**TALKING POINTS:**

Because families share debts, it is important to know about the different types of credit card/debt ownership and what the risks and responsibilities are for each. This exercise provides an overview of the different forms of account ownership for credit cards and other loans as well as some risks/responsibilities associated with each.

**ACTIVITY:**

Pass out the two information handouts on Joint Credit, and review the information provided with the entire class.

Divide the class into small groups, grouping couples and/or families together where possible. Hand out the *Joint Credit Activity* worksheet and give the class 10 minutes to finish the exercise. While couples are working together, float around and offer assistance, if requested.

When the group work is completed, ask each group to report its conclusions.

**GROUP DISCUSSION:**

If you were giving advice to a couple who is weighing this decision, what questions would you ask them? What advice would you give them? What tips do you have to help a family think this through together?

Apply these questions to your real-life situations. Would you continue to have the same credit card ownership structure or would you change it?



## HANDOUT: Joint Credit: What is it?

---

### FORMS OF CREDIT CARD ACCOUNT OWNERSHIP

**INDIVIDUAL:** This means there is only one owner of the account, who is the person whose name is on the account; only this person's signature can authorize the use of the credit card. Spouses do not have the authority to use a card that is individually owned.

**AUTHORIZED USER:** There is a named owner ("borrower") for the account and also a person who is allowed to use the credit card and authorize charges. The authorized user might have his or her own card to use, but this user is NEVER liable legally for any debts on the account. The borrower ALWAYS is liable. Anyone can be named as an authorized user—spouses, children, parents, or friends.

**CO-SIGNER:** There is a named borrower on the account, who gets the card in his or her name and also gets the monthly statements. There is another person who has agreed to COVER the outstanding debts in the event of non payment. A co-signer usually does not use this credit card or receive regular information about its use, but a co-signer is legally responsible for paying the debt as if it were his/her own if the named borrower fails to make payments fully and on time. Credit card companies can collect the debts from a co-signer just as they would from the borrower directly (i.e., they can sue the co-signer and even garnish his or her wages).

**JOINT:** There are two named borrowers on the account. Usually both have cards with their names on it, and both can use the credit and get monthly account statements. Both are also legally responsible for the debt and can be pursued for collection. The credit history of both borrowers was used to determine eligibility for credit. Spouses most often use this form of ownership; both their credit histories and income are used to qualify for the card.



## HANDOUT: Joint Credit: Risks and Responsibilities

---

### Assessing RISK for Account Ownership

Whenever two people share credit cards, they are sharing a greater risk for their financial future. Remember that sharing ownership means that someone else's behavior with credit cards can affect you (positively or negatively). Specifically, it may affect one or more of the following areas:

- **Your credit report or credit history:**

**EXAMPLE:** You have named your child as an authorized user on your credit card account, and she charges \$2,000 on the account while on a spending spree. While you may be making sure she pays it back, the credit card company sees you as responsible and will expect you to make payments on time for the debt. The amount of this debt and your history of paying on it will show up on your credit report.

- **Your ability to maintain a good credit history:**

**EXAMPLE:** You open joint accounts with your boyfriend while you are living together. You break up unexpectedly; your "ex" charges a trip to Hawaii on the joint credit card and then stops paying the bill. The creditor is calling you for payment and tells you that the late payments and high credit charges will be reflected on your credit report.

- **The amount of debt you potentially owe (affecting future creditors' decisions):**

**EXAMPLE:** You apply for a loan for your small business and are told by the loan officer that you cannot afford the size of loan you requested because your credit report shows an outstanding credit card bill. You learn that this is not your debt but your sister's. Two years ago, you co-signed on her credit card; she used it well initially but recently did not pay the bill. Now the creditor is calling and writing you for payment.

- **The amount of debt you actually owe (which means an additional monthly bill):**

**EXAMPLE:** Your brother is unemployed and struggling to pay his rent, so you know that he will not repay his credit card debt. You negotiate payments with the creditor and add them to your monthly budget. You have to delay your loan application for a few months until this debt is paid off, and you have to cut your own expenses to afford this new monthly bill.



## HANDOUT: Joint Credit Activity Worksheet

---

Brainstorm the various advantages and risks for you in using these different types of account ownership for credit cards. As you brainstorm, write down the advantages and risks from the point of view of both people.

Ownership Type	Advantages	Risks
Each spouse has an individually owned credit card account.		
One spouse is named as an authorized user on the other spouse's account.		
One spouse has an individually owned credit card and co-signs for the other spouse's credit card.		
The couple has a joint credit card account.		



# 50. Family Credit Decisions Role Playing

**OBJECTIVE:** Couples and families will identify with every day family credit situations through role plays.

**TIME:** 40 minutes, including about five minutes preparation time for both sets of volunteer actors to become acquainted with the scenarios, 10 minutes to act out and discuss each of two role plays, and 15 minutes for couples to discuss real-life scenarios and brainstorm strategies.

**MATERIALS:**

Chairs or other materials as needed for props.

Pens

Paper

**NOTE TO TRAINER:**

Two role plays are provided to encourage discussion on making decisions about using credit as a family. Role playing is a fun and interactive way to support learning and can make a real difference for participants. Some people may need a bit of help getting over their initial nervousness or shyness about being in front of the group and acting as a character. This could be mitigated by having the trainers engage in a role play first or by selecting the bolder participants to do the first role play, just to break the ice.

**ACTIVITY:**

Discuss with the class that making a credit decision as a family can be difficult. Introduce that you will be doing two structured role plays to help the class discuss different credit ideas. Specific themes include deciding when to take on debt and how to identify the risks and responsibilities of co-signing on credit cards or loans for another family member.

Each role play will use three volunteers: One will be the narrator, and the other two will be characters in the role play.

**Ask the class for six volunteers to help act out two role play activities.**

This role play activity asks the narrator to introduce the scene. The actors play their roles after they practice with some background information about their characters to help with the dialogue and to get them to take a position. Structure the role play so that the actors have time to absorb this information and practice a bit together before presenting it to the group. (TIP:

When scheduling a 15-minute break, have the narrator and two actors for each role play review the scenarios in a separate room or hallway.) At the start of this activity, ask for three volunteers for each role play scenario.

As the role play nears its finish, the trainer should be prepared to close the scene, thank and solicit applause for the actors, and then initiate discussion. Discussion questions follow each scenario to facilitate learning from the role play.



**Scenario 1: My brother Jimmy needs help with a loan.****Narrator (Volunteer #1):**

Tim and Judy Brown are driving to a PTA meeting one evening when Tim, ever so carefully, brings up an important question. His younger brother, Jimmy, wants to buy a brand new sports car; he has found the perfect car but needs a co-signer in order to get the loan approved. Tim loves his brother and wants to see him get ahead, so he would like to help, but he knows this affects Judy's life too and so he needs her support.

Just another day of decision making for the Brown family, let's see how it goes...

*ACTORS role play (Volunteers 2 and 3): At this point, Tim and Judy begin their conversation with Tim asking Judy about the loan (Idea: Have them sitting side by side in chairs to simulate the front seat of a car and have one of the two characters mimic driving.)*

**Group Discussion:**

- If Tim and Judy co-sign, what are some of the risks that were mentioned during the role play?
- What are the benefits to Jimmy if Tim and Judy cosign? What are the benefits for Tim and Judy?
- If you were to “assess” a family member’s ability to repay a loan on which you were a cosigner, what factors would you consider? Based on those criteria, would you cosign for Jimmy?
- What might be some other ways to minimize the risk and maximize the benefits for everyone involved?
- Have you ever been in a similar situation where a friend or family member asked you to co-sign? How did it make you feel? Did you know the risks you were facing? Did you discuss it with your partner ahead of time? How did it turn out for you?

**Preparatory Information for the Volunteers Playing the Characters****Key Information for the Actor Playing Tim:**

- Tim really wants to help out his brother, Jimmy. He thinks he had a tough life as a kid and wants to give him a break. He knows Jimmy is motivated to do well.
- Tim thinks that Jimmy is responsible: he keeps his own apartment and has two part-time jobs.
- Tim also knows that Jimmy has just started living on his own and that debt can be hard to manage early on: Jimmy has had some bill paying challenges in the past, and he gets pretty regular calls from creditors.
- Tim does NOT know that co-signing the loan means Judy and he are equally responsible for repaying the loan or that the creditor has the right to collect from them directly, without even trying to get Jimmy to pay.
- Tim does NOT know that this loan and how Jimmy does in paying it off will be included on Judy's and his credit reports and will be included in their credit ratings whenever they apply for loans or credit cards for their own goals.
- Tim wants to help his brother and is prepared to make a strong case to Judy, but he also trusts Judy's financial knowledge, which is greater than his, and he will listen carefully to her opinion.

**Key Information for the Actor Playing Judy:**

- Judy loves Tim's brother, Jimmy, too and wants to help him.
- Judy also cares about Tim's feelings and doesn't want to offend him or seem like she isn't willing to support Jimmy, but she knows this is very risky for their family.
- Judy DOES know that she and Tim will be responsible for this debt and that it will affect their credit rating.
- Judy knows that Jimmy is just starting out in his jobs and adult life and that he hasn't always paid his bills on time.
- Judy knows that Jimmy's part-time jobs may not be steady.
- Judy also worries that since they wouldn't buy a sports car for themselves because it would divert too much money from their other goals of homeownership and saving for their children's education, perhaps this could negatively affect these other goals they have for their family.
- Judy thinks it is too risky for their family goals and wants to convince Tim not to do it.

**Scenario 2: Leroy wants a credit card.****Narrator:**

Leroy is walking his grandmother, Maribel, to her monthly neighborhood association meeting. Along the way, he tries to convince her that he needs a credit card for his important senior year expenses—prom, new school clothes, senior pictures, and class ring, as well as application fees for college and fees for required tests. He can't get a card himself, with only his weekly lawn mowing and other odd jobs for income. He just learned that his best friend, Kevin, got a card from his mom who applied for a credit card and named him as an authorized user. Now Kevin is sporting his own credit card, with his name on it, all around school. Everyone is talking about how he buys cool stuff and takes girls to fancy restaurants on dates.

Leroy's grandmother Maribel listens to this story. She has a reputation as a good budgeter and money manager. She's been the neighborhood association's treasurer for nearly five years now and works hard to keep all of their expenses in line, just as she has done in her own household for years. Leroy does his best to present a good argument and to answer all her concerns before she discusses them.

Let's see how he does....

*ACTORS role play: At this point, Leroy starts the conversation with Maribel by asking for the card.*

**Group Discussion:**

- Based on the information presented in the skit, what are the advantages of authorized user accounts for friends or family members?
- What are the risks?
- What is your opinion: are Leroy's anticipated expenses acceptable to you as credit card debt? Why or why not?
- Do you agree with Maribel's final decision about the card? Why or why not?
- What are some ways parents could teach children and teens about credit and good money management?
- What alternatives (to using credit) might you suggest for Leroy's expenses?

Break up into couples and discuss real-life scenarios like these that you have faced. Discuss how you can work together more effectively to make the best decisions for your family

Preparatory Information for the Volunteers Playing the Characters

**Key Information for the Actor Playing Leroy:**

- Leroy knows that he will be most convincing to Maribel if he presents a careful argument using facts, like the fact that he makes \$75 per month and would pay off the credit card bill himself.
- Leroy has a good sense of his anticipated expenses for the card: prom tuxedo, limo, tickets, flowers, and meal; lunches at school, some school clothes; college tours, college application fees, and a suit for college interviews.
- Leroy knows that the credit card company can limit the credit amount: he will impress Maribel by suggesting a modest \$1,000 credit limit!
- Leroy does NOT know about the legal issue: his grandmother will be the only person legally responsible to pay the debt. If he doesn't pay, the creditors will pursue his grandmother for collection.
- In fact, Leroy hasn't thought at all about how unpaid debt would be collected and what the impact would be on his grandmother.
- Leroy gets good grades, is a school leader, and an athlete. He thinks he can rely on his record and responsible reputation to convince his grandmother.

**Key Information for the Actor Playing Maribel:**

- Maribel knows that Leroy is responsible, but she never misses an opportunity to educate him about money.
- Maribel does not want to discourage Leroy, but she is never afraid to say no.
- Maribel KNOWS that this account-ownership arrangement makes her legally responsible for the debt and that Leroy is NOT thinking about the risk of nonpayment.
- Maribel has also observed Leroy's habits with money, and she knows that he does not have a bank account and that he does not try to save. He usually spends his money on entertainment.
- Maribel knows that she could afford to cover a credit limit of about \$500 for Leroy.
- **YOUR CHOICE:** Based on what you know, you decide whether Maribel says yes or no. In the skit, when you give your final answer to Leroy, be sure to explain why you decided as you did.

